The Rt Hon Torsten Bell, MP
Minister for Pensions Department for Work and Pensions
Caxton House Tothill Street
London SW1H 9NA

Dear Minister

We are writing to express our concern about the exclusion of listed investment companies from the example definition of 'qualifying assets' in the Pension Schemes Bill.

Their exclusion is detrimental to the Government's aim of increasing pension fund investment in UK infrastructure and private assets. We were surprised by this exclusion, and our concern has grown following the Minister's explanation during the House of Lords committee stage that the policy, as drafted, is intended to support the Mansion House Accord (MHA). Through this explanation, it is evident that the policy has been derived not from the wording of the Accord itself, but from the explanatory Q&A issued by the Association of British Insurers (ABI) which explicitly excludes listed investment companies (LIC). For reasons such as those set out below we do not consider such exclusion to be consistent with the goals of the MHA and believe it would also be needlessly damaging to the LIC sector.

Also, we note the Bill extends the obligation to all providers, not just the Mansion House participants, and, through its signalling, has wide market effects that extend beyond the Defined Contribution (DC) Pension Fund sector.

The MHA is a private agreement between major providers of default DC pension schemes and has been one of the signature achievements of successive Mayoralties and governments. The MHA sought to drive investment into productive assets benefitting the UK economy and employment, primarily through increasing allocations to infrastructure, early-stage innovation and other private market assets. The MHA was not determinative regarding the structure of such investment, nor should it be. In our view, there is no technical reason to support such an exclusion of listed investment companies, which have for a considerable time period been the predominant route of channelling such investment. The Minister has suggested that 'listed equities' are excluded and that investment companies do not invest 'new money'. We feel this is inaccurate.

Over the past two decades, listed investment companies — including REITs — have invested around £80bn into UK infrastructure, energy, property and private companies more broadly. This long-term capital has supported major national projects such as

Thames Tideway and Sizewell C, as well as socially important local assets including hospitals, police and fire stations. It has also financed data centres used by global technology firms, logistics hubs for supermarkets and e-commerce, and specialist facilities such as laboratories, research centres and GP surgeries. Without this patient investment, the UK's growth in renewables, technology and life sciences would have been significantly constrained. This investment has been a vital part of the UK's financial ecosystem, enabling developers to recycle capital into new ventures, supporting jobs and driving growth.

Long-Term Asset Funds are likely to invest in similar assets over similar horizons; the two structures should therefore be seen as complementary vehicles that expand choice for pension schemes rather than substitutes for one another. The underlying policy which we support is the desire to attract new financing into the UK's infrastructure and other private assets. LICs already invest in the alternatives and REITs sectors, with pension funds being key investors. The role of the LIC and the fact that there would be two suitable vehicles for illiquid assets (LICs and LTAFs) is supported by the discussions of the Productive Asset Working Group that was convened to set up Long Term Asset Funds. We are concerned that the Bill contains signalling to the wider market not to use LICs, the effect of which extends beyond DC default funds. It removes choice and expertise from pension schemes and trustees who have used LICs previously and most likely narrows the range of private assets that can be accessed.

A further discussion with a broader range of market participants, absent a consultation preceding the creation of these powers, would benefit the Bill, and support the delivery of the Government's objective. We therefore hope that the Government will reconsider its current approach.

Cc: Baroness Sherlock OBE, Minister, Department for Work and Pensions
Lord Livermore, Financial Secretary, HM Treasury